Russia's Growth as a Regional Power in the Context of the Eurasian Economic Union

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Abstract. *We are currently witnessing the emergence of new poles of power, practically from the bi-polar model of the post-World War 2 world, the Russian Federation has made in the last years made great efforts to introduce a multi-polar model, in other words it is seeking to affirm itself again on the world stage and gain leadership as a pole of power for the eastern Europe. There is a direct correlation between the status of „regional leader” and the economic power of the country who wants to achieve this status. Taking into account a set of indicators such as: share in the world GDP, trade and investment flows, the European Union, USA and China are at the moment the biggest poles of economic power in the world. Russia aspires to expand its influence and within the context of the Eurasian Economic Union seeks to reach the status of regional economic power. The main research questions of the article is if Russia can achieve through the Eurasian Economic Union and strategic partnership with China, the status of regional power and be a serious contender to the European Union. The article follows a qualitative methodology and examines the possible implications of the European Union- Eurasian economic Union competition at a regional level and Russia's perspectives to achieve, as the leading force of the Union, a greater influence from an economic and geo-political perspective. The final section analyses the impact that the growth of the Chinese economy has had on the European Union as well as the Eurasian Economic Union. In this context, Russia has moved its attention towards Asia, particularly towards China, with whom all evidence points, is trying to form an alliance against the West, and is trying to capitalize on the ongoing trade war that is unfolding between the USA and China. The article concludes that Russia needs China, as the world's second largest economy and important regional power more than China needs Russia and their current relationship is based more on their personal need to undermine other powers than any true common visions.*

Keywords: Russian Federation, Eurasian Economic Union, regional power, China, economic growth.

Introduction

With the rise of globalization, countries have found that opting to stay out of strategic partnerships and preferential trade agreements has proven next to impossible. A country cannot develop economically on its own and most of the times opting to stay out of an economic type of organization is more detrimental and financially straining for a country than deciding to join. For eastern countries, emerging from communist regimes that lasted more than 40 years, the new capitalist way of life hit hard and they found themselves in the need to adapt quickly and form new alliances that could ensure a smooth transition to a free market and bring much needed economic advantages. Some took the western road and some, which were geographically and ideologically closer to Russia, remained more or less under Moscow's influence even after the USSR had collapsed. Russia has since the beginning of the 90's tried to keep the political and trade alliances with some of the former Soviet Union members and sought new forms of cooperation. All these forms and projects of cooperation have had a single purpose, Russia's desire to obtain the position of regional power.

We are currently witnessing the shaping of new poles of power, practically from the bi-polar model (represented by two opposing blocs, led by the two superpowers: USSR and US), the

Russian Federation is trying to introduce a multi-polar model (of regional powers). The Eurasian Economic Union project represents a crucial part of Russia's ambitions to become a great power, and being the de facto leader of a strong regional structure lends Russia a certain legitimacy and weight on the international political scene. In other words, securing this type of regional leadership can help Russia to become a first-rate player in the present multi-polarizing world.

Literature review

Western literature mainly covers economic, political and legal issues, seeking to answer questions about the viability of this structure, the prospects of the Eurasian Union to become a pole of economic power in the area, its relationship with the European Union and / or other international organizations. Most scholars that focused their studies on the Russian Federation agree that Kremlin's desire is to be perceived as a great power and thus a significant part of its foreign and economic policy is designed to further this interest. The question that arises and one that I plan to investigate in this article is if at this moment Russia can lay claim to such a status.

The Eurasian Economic Union is a relatively new construction, dating from 2014, is considered by many specialists, including Libman and Asanbekov, to be the response of the Russian Federation to the European Union and to the tendency of the latter to include spaces from the former Soviet-influenced areas.

The idea of an extended Eastern partnership came at a time when the Kremlin realized it could not avoid isolation from the west. In this context and losing its influence over Ukraine after 2014, Russia has had to reorient its integrationist ambitions towards the post-Soviet space and other eastern areas. Russia's foreign policy vision is that of an "extended Eurasia"; in support of this idea Putin declared at the economic forum in St. Petersburg in 2016 that Russia's main foreign policy agenda is that of an expanded Eurasian partnership that includes countries such as Pakistan, Iran, China and India and has the Eurasian Union at its center. In addition, many eastern analysts see this construction as Russia's main engine of economic growth and implicitly consider it an obvious signal in the direction of increasing its sphere of influence. For example, Vladimir Putin declared in 2011 that "his vision for the Eurasian Union is not only to favor a new round of post-Soviet reintegration but to transform the Eurasian Economic Union into an organization that is equal to the EU, NAFTA, APEC and ASEAN".

A number of authors (including Kaczmarek, Libman, Trenin) believe that the Eurasian partnership has two major goals: firstly to link the Eurasian Economic Union to the Belt & Road initiative and secondly to move beyond China and to tie the Union through preferential trade agreements and investments to Iran, India and Southeast Asia. In other words, to stop China's expansionist tendencies.

Methodology used

The research methodology is characterized by qualitative analysis methods. In order to achieve the proposed research objectives, I have chosen to use a thematic analysis of the specialized literature, respectively an analysis of the texts and works that deal with the Eurasian Union from an economic and political point of view, as well as an analysis of the impact it has on the current geopolitical situation.

Among the techniques used in the elaboration of this article are: text analysis and content analysis, from which I will draw conclusions for the proposed objective, mainly to analyze if Russia is using the Eurasian Economic Union as a tool to become a regional power.

Results and discussions

The Eurasian Economic Union project should be firstly analyzed from a geopolitical point of view. Russia seeks to offer eastern countries an attractive alternative to the western model and in doing so tries to reclaim the title of regional power or even that of world power. More to the point Russia views the European's Union program Eastern Partnership as a direct threat and power challenge to its „legitimate“ interests in the connecting areas.

The European Union launched in 2004 the European Neighborhood Policy and revised it again in 2011. The main purpose was to promote and help neighboring countries achieve economic development, stability and security. Analysts saw this program as a way of preventing new forms of division between west and east Europe by encouraging cultural exchanges and financial aid. In other words the European Union regarded this project as step towards reaching peace and increased stability on the continent, however, the Russian Federation saw it as a direct threat to its national security, territorial integrity and also as the west trying to encroach on its perceived vital space.

Integration at a regional level is a complex phenomenon that involves economic, political, socio-cultural integration; vertical and horizontal integration, but also deep integration. The integration of two or more countries with different cultures implies firstly geographical proximity, adherence to a similar system of values, and even historical collaboration. In the case of the Eurasian Economic Union, we can talk about the common past as members of the USSR, the geographical position and also the historical relations.

The basic purpose for the creation of the Eurasian Economic Union was initially an economic one as was with the other regional forms of association that came before it. The socio-economic degradation of ex-Soviet countries after the disintegration of the USSR, the disruption of traditional economic relations, the economic regionalization in the former USSR member states, the disappearance of a central economic administration (which existed in the Soviet Union), the incapacity of national elites to maintain and develop the economic level reached towards the end of the 80' forced some states to sign various cooperation agreements, focusing primarily on economic aspects. The regional integration process started with the establishment of the Commonwealth of Independent States (CIS) in December 1991, followed in 1993 by an attempt made by Russia to create an Economic Union modeled after the European Community. In 1995, the Eurasian Custom Union was created and included Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan. This was transformed in 2000 into the Eurasian Economic Community. The most important and ambitious regional commitment came with the signing of the Treaty for the creation of the Eurasian Union between Russia, Belarus and Kazakhstan. Russia was to one to take the initiative and since then has taken on the lead in the organization, management, conflict resolution and future planning for the Union. In 2015 the union came into being and currently includes, along with original members, Armenia and Kyrgyzstan. The Eurasian Economic Union was the first form of integration in the post-soviet space to achieve success and also deeper levels of integration, in the form of a functioning economic integration, common customs policy and common customs tariff as well as a single institution governing trade policy - the Eurasian Economic Commission. The signing of this treaty has been a

culmination of Putin's projects and foreign policy vision. Through this union, member states have adopted a common policy in strategic economic sectors such as: transportation, agriculture, energy production and industry. The different agreements mentioned above have increased the level of cooperation but at the same time, former soviet States dependence on Russia's imports and investments. Putin, in the last decade has put a lot of effort into casting Russia in the role of regional leader, taking advantage of the changes brought on by the end of the Cold War era, which meant firstly a dispersion of power, followed by its concentration in smaller, regional blocs.

In order to achieve this goal, Russia has put great efforts into strengthening the power and relevance of regional structures that eschew the involvement of western powers and try to bring together again former communist countries. Among such initiatives are: Collective Security Treaty Organization established in 2002 as a response to NATO, Shanghai Cooperation Organisation and the more recent Eurasian Economic Union.

When the Union was formed it received mixed reactions. Some have dismissed it as only a tool for Russia's foreign policy and a chance for further propaganda while others saw in it a future possibility for cooperation with the EU and consequently a means of diffusing the existing tensions between Russia, the EU and NATO. The plan for the Eurasian Economic Union was to create an institutional architecture capable of bringing together countries from the same region, encouraging cooperation in strategic economic sectors and reducing the influence of the European Union and China. A Union spearheaded by Russia, which aimed at increasing its visibility on the international stage and consolidating its status as a regional power.

The Russian Federation aspires to expand its influence, trying to have an impact outside of its own borders and wanting a return to the idea of Eurasia - which means in the vision of the Russian Federation, a kind of galaxy, with Russia in the middle, surrounded by a galaxy of dependent states. Because both the European Union and the Russian Federation began to compete for the same regions which stand between two great forms of organization and leadership, with different ideologies and different approaches to economic cooperation and trade, tensions began to arise which culminated with the crisis in Ukraine and the annexation of Crimea. After this the two regional powers halted diplomatic dialog and are unwilling to initiate any new form of cooperation in any field.

The main difference between the European Union and the Eurasian Economic Union is that the latter's primary goal has never been about economics as was the case with the EU but a means of achieving political and strategic goals. Russia has almost full control of the organization so the result is the organization's development plans follow the „Russian way” and all the major enlargement programs, foreign policy directions, cooperation programs for the Union, are decided by Russia. Because of this, the main needs of the member countries are not always taken into account, but only directions which can ensure Russia's status as a regional power. The Eurasian agenda can be in this light viewed as an ideological movement meant to fill the void left by the disintegration of the USSR. The Eurasian dream, uniting Russia's many ethnicities under a common guidance, has been promoted by both Russian politicians and thinkers such as Pryamakov, Kozyrev or Alexandr Dugin almost since the fall of the former Soviet Union, as a replacement for the communist ideology. It is interesting to note that in the period 2013-2015 (which coincides with the crisis in Ukraine) the tone of discussions regarding the founding and functioning of the Eurasian Economic Union, shifted from economic aspects to geo-economic and geopolitical talks. A great part of Russia's political discourse is outlined as a

response to the west and in opposition with western ideals. It portrays Russia as a great civilization, with a great culture, a strong Christian foundation, traditions, morality and superior values to those of the decadent west.

Moscow has ambitions to become a regional leader but often shows an unwillingness to comply with the limitations and rules that come with being part of a union and also bear the financial burden and economic obligations of being the de facto leader. Russia also realized that it is much more advantageous to enter in bilateral trade agreements where it can use its superior bargaining power.

The Eurasian dreams of Russia's elite have shifted from envisaging the country as being the link and major power broker between the east and the west, to „making Russia Great once again”. Since the crisis in Ukraine and the annexation of Crimea this Eurasian ideology has taken a dynamic meaning and seems to have taken the top spot on Russia's foreign policy agenda. Concepts such as the Slavic world have been added which promote ideas regarding partnerships between countries based on religion, cultural and spiritual similarities. Now Russia's actions seem to have shifted to a more „soft” approach towards re-establishing its sphere of influence in the region, as national movements have intensified in neighboring countries. Interesting to note is the fact that the Eurasian Economic Union, helmed by Russia, has taken a largely Eurasian view, critiquing western ideals and values. The Union, under Russia's guidance has taken on a cultural and civilizational form, that praises the latter's values and culture in direct opposition to those of the west, representing in other words a clash of cultures. This approach is a key part in Russia's plan to become a regional power, mainly to extend „the Russian way” beyond its borders to create a Eurasian space. Looking from this perspective, in the EEU, economic considerations are secondary to Russia's Eurasian region building project and its power aspirations.

Despite Russia's efforts to strengthen and enlarge the Union whether this project is a success or not is still up for discussion. A risk to the sustainability of the Eurasian Economic Union is the nature of the political regimes of the member countries, which have, more or less, autocratic governance. This will hinder the integration process and democratic transition, as the Union will not be able to change the forms of state administration which can in the future become serious risk factors for this Union's structure and decision-making process. Russia's current ambitions to transform the Euro-Asian Union into a pole of power in the multipolar world, can actually affect the organization's consolidation process. It is essential to note that the Eurasian Economic Union economy constitutes no more than 3% of the world economy and is five times smaller than that of the European Union and four times than the economy of China. Also, the addition of new members Armenia and Kyrgyzstan didn't have a positive economic effect as their economies are much smaller. A second problem for the Eurasian Economic Union is the glaring asymmetry in the size of the economies of the member states. For example Russia accounts for more than 80% of the Union's GDP, at the other side of the scale lies Belarus with only 3%. On one hand, this large disparity in turn increases the vulnerability of the other countries to shocks in the Russian economy; more to the point negative spill-over effects could actually have a major negative impact as economies become more integrated and thus dependent on one another. In this context, it is unlikely that the creation of an economically significant regional pole of power can be achieved. In addition, Russia's desire to fill in the ranks of the Eurasian Economic Union with new members, such as Turkey, Iran, Vietnam, are not likely to be realized in the immediate future.

On the other hand, the annexation of Crimea and the sanctions imposed on Russia have put a serious strain on the Eurasian Economic project. Russia has entered in a recession, oil prices have collapsed, its economy contracting in 2015 by 2.5 and for the immediate future is unlikely to meet the purposed goal of 4% annual increase in GDP. Adding to this, neighboring countries have shown no real desire to join, thus denting the Union image as a provider of prosperity and a catalyst for development. In addition, many analysts have said that if new members were to join in, it would be because of lack of other alternatives or constraints rather than a true desire for regional cooperation. In the table below this decrease in GDP since the formation of the Union can be clearly seen; the GDP by purchasing power parity grew from but that can be explained by the sharp devaluation of national currencies against the US dollar.

Figure 1. EAEU GDP (2014-2018; nominal, real and by PPP; trillion \$)

Source: <http://greater-europe.org/archives/7218>

Four years after its launch the economic results are far less spectacular than were predicted. The trade and the collective GDP of all the member states have declined. Also the trade diversification which was promoted at the beginning has failed to take place, Russia remaining the major trading partner for all the other members. Another issue that affected trade flows was the autocratic regimes. The governments have found it difficult to renounce all their protectionist measures and liberalize fully the economy, despite the treaty stating a free flow of goods, many indirect barriers to trade still remain. In addition, contrary to Russia's plans, China has increased its presence in the region with the Belt and Road Initiative and has invested massively. All member states have expended the trade with China. For example the EAEU member states exports to China amounted to 45.3 billion in 2017, an impressive 10.2 billion USD increase from 2015. Similarly, in the same period, the imports have increased by 13.6 billion USD, from 43.8 in 2015 to 57.4 billion in 2017. In the table below you can see the member states annual GDP growth rate.

Figure 2. EAEU annual GDP growth rate (2014-2018, index of physical volume of GDP, % change y.o.y.)

Source: <http://greater-europe.org/archives/7218>

China represents both an opportunity for the Eurasian Economic Union and a possible threat, as the former is trying to increase its influence in Europe through massive direct investments. China is at the moment the biggest engine of economic growth and Russia, recognizing this new reality has sought to enter into partnerships. The latter developed the concept of "Great Eurasian Partnership" with the aim to increase bilateral and multilateral agreements between the Eurasian Economic Union, Shanghai Cooperation Organization and also ASEAN member states.

Commerce with China is of particular importance to Russia since its access to the European and American markets has been partially closed due to international sanctions. In turn, China needs a stable supply of primary resources which the EEU can ensure at a low price. This increased mutual interest is in part driven by the Belt & Road Initiative and in part by China's trade war with the US and Russia's sanction problems. In 2018 China and the Eurasian Economic Union signed the Economic and Trade Cooperation Agreement in Astana which lays the foundation of future cooperation.

Conclusion

The Russian Federation strives to be seen as an independent pillar of power to the neighboring states. The Eurasian Economic Union didn't manage to achieve the success Russia envisaged because of the gaps in economic development as well as the different objectives and interests of member states.

The major shortcoming is that the union suffers from a lack of engagement from its member states. For example, Russia has been eager to establish the union, it has been the country's major project for the last few years but since its establishment it has not shown the same level of engagement or has invested in developing efficient supranational institutions. The architecture doesn't facilitate transformation policies and institutional reorganization for member states. EAEU is now mainly a vehicle for realizing Russia's geopolitical agenda and now that it is established and sufficiently functional, Russia is not preoccupied with making it successful. The

organization will surely continue to function and be promoted as the Eurasian region replica of the EU but there is little to recommend it as a major player on the world stage and at this point it doesn't have the capacity to propel Russia to the status of regional power. Russia's ability to succeed as a regional power is in part reliant to its skill to be able to move beyond the Eurasian civilization discourse and put forward an attractive economic model and incentives that can rival those of the European Union and China.

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